

Message Text

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41

ACTION NEA-16

INFO OCT-01 ARA-16 EUR-25 EA-11 EB-11 ISO-00 FEA-02 AEC-11

AID-20 CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00 FPC-01

H-03 INR-11 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07

RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00

FRB-03 PA-04 PRS-01 USIA-15 DRC-01 AF-10 /231 W

----- 030187

R 180700Z JUL 74

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 1823

USINT ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY BONN

USMISSION EC BRUSSELS

AMEMBASSY CARACAS

AMEMBASSY CAIRO

AMEMBASSY KUWAIT

/AMEMBASSY PARIS 0239

AMEMBSSY LONDON

AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

AMEMBASSY TRIPOLI

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY JIDDA

C O N F I D E N T I A L ABU DHABI 0951

EO 11652: GDS

TAGS: ENRG,TC

SUBJ: CONVERSATION WITH NEW MANAGING DIRECTOR OF ADNOC

1. I PAID CALL JULY 16 ON MAHMOUD HAMRA-KAROUAH, ALGERIAN
WHO HAS BEEN RECENTLY APPOINTED AS MANAGING DIRECTOR OF ABU
DHABI NATIONAL OIL COMPANY. SINCE ADNOC CHAIRMAN, SHAIKH
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TAHNOUN, IS NEOPHYTE IN OIL BUSINESS, KAROUAH WILL HAVE KEY

POSITION. KAROUAH APPEARS TO BE IN HIS THIRTIES AND INFORMED ME THAT HE HAD BEEN EMPLOYED BY SONATRACH FOR 10 YEARS. HE STRUCK ME AS WELL-INFORMED, CAPABLE OF BROAD PERSPECTIVE ON INTERNATIONAL OIL MATTERS, AND, FROM THIS FIRST IMPRESSION, REASONABLY WELL DISPOSED TOWARD THE U.S.

2. I TOOK OPPORTUNITY TO STATE USG'S CONCERN AT PRODUCING COUNTRIES' CONTINUING EFFORTS TO KEEP UPWARD PRESSURE ON OIL PRICES ALONG LINES OF STATE 145989 AND 146155. KAROUAH REPLIED THOUGHTFULLY THAT HE UNDERSTOOD WIDE RAMIFICATIONS THAT OPEC PRICE RISE HAD CAUSED THROUGHOUT WORLD. PRODUCERS UNQUESTIONABLY HAD IMPORTANT RESPONSIBILITY IN THIS RESPECT. ON OTHER HAND, REST OF WORLD MUST RECOGNIZE AND ACCEPT FACT THAT FOR LONG PERIOD OIL WAS GREATLY UNDERVALUED COMMODITY AND REDRESS FOR PRODUCERS WAS LONG OVERDUE. KAROUAH SAID THAT FOR THIS REASON ABU DHABI GOVERNMENT WAS QUOTE VERY FIRMLY END QUOTE OPPOSED TO ANY REDUCTION OF PRICE IN OIL AND BELIEVED THAT IF QUOTE CURRENT STRATEGY END QUOTE OF CONSUMER GOVERNMENTS TO REDUCE PRICE OF OIL PERSISTED, IT WOULD LEAD TO INEVITABLE CONFRONTATION, AND EQUALLY INEVITABLY TO DECISION AT SEPTEMBER OPEC MEETING FOR WIDESPREAD CUTBACKS IN PRODUCTION. (KAROUAH MADE PASSING REFERENCE TO BENNETT STATEMENT THIS CONNECTION BUT DID NOT REPEAT NOT BELABOR POINT).

3. KAROUAH SAID HE WOULD WELCOME FAR-REACHING DISCUSSIONS BETWEEN PRODUCERS AND CONSUMERS ON WHOLE PROBLEM OF EQUITABLE OIL PRICES AND RELATED ISSUES. HE SAID THIS WOULD REQUIRE A QUOTE GLOBAL APPROACH END QUOTE AND A CAREFUL EXAMINING OF FULL RANGE OF BENEFITS ACCRUING TO BOTH CONSUMERS AND PRODUCERS TO DETERMINE EQUITABLE DEAL IN BOTH DIRECTIONS. HE STRESSED HIS VIEW THAT PROBLEM WAS NOT MERELY BETWEEN CONSUMERS AND PRODUCERS BUT ALSO ENTAILED DEFINING FUTURE ROLE OF OIL COMPANIES AND LEVEL OF THEIR PROFITS. HE RECOGNIZED THAT BOTH AS OPERATORS AND MARKETERS OIL COMPANIES WOULD PLAY INDISPENSABLE ROLE FOR INDEFINITE FUTURE AND THAT IT WAS ONLY FAIR THAT THEY GET REASONABLE PROFIT FOR THEIR SERVICES. ON OTHER HAND, KAROUAH FELT THAT PRESENT POSITION OF COMPANIES, WHEREBY THEY ARE MAKING 3 OR 4 DOLLARS PROFIT ON

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BARREL OF EQUITY OIL, WAS NOT SOMETHING THAT CONSUMING COUNTRIES SHOULD HOLD PRODUCERS RESPONSIBLE FOR. IN CONNECTION WITH QUOTE GLOBAL APPROACH END QUOTE THEME, KAROUAH MADE INDIRECT BUT CLEAR CRITICISM OF WHAT HE SEES AS U.S. EFFORT TO UNDERMINE OPEC POSITION BY TRYING TO MAKE DEAL WITH SAUDI ARABIA FOR LOWER PRICES AND HIGHER PRODUCTION. EFFORTS TO SPLIT UP OPEC, HE SAID, WOULD NOT WORK.

4. COMMENT: KAROUAH MAY WELL PLAY IMPORTANT ROLE IN DETERMINING ABU DHABI OIL POLICY IN FUTURE AND I BELIEVE IT IS WORTH CULTIVATING HIM. ANOTHER SOURCE IN ADNOC TELLS US THAT KAROUAH FOUGHT WITH FLN, IS RELATED TO BOUMEDDIENE, AND THAT LATTER HAND-PICKED HIM FOR THIS JOB. ANY BACKGROUND DEPT OF USINT ALGIERS MIGHT PROVIDE ON KAROUAH (OR HAMRA-KAROUAH) WOULD BE APPRECIATED.
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